

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 329 - HB 295

February 22, 2015

SUMMARY OF BILL: Exempts certain legal services from the definition of legal insurance. Authorizes an insurer to pay a licensed attorney a minimal administrative fee for limited consultations provided to an insured party. The insurer is prohibited from providing legal services directly, paying for such services beyond the minimal administrative fee, or reimbursing the insured party for any legal expenses incurred. Defines minimal administrative fee as a nominal fee paid per customer to a licensed attorney by an insurer.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - If legal insurance protection is removed from policies that currently include legal indemnification, premiums may be lowered. To the extent that premium amounts are decreased there will subsequently be a decrease in premium tax revenue realized. An exact amount is indeterminable, but is reasonably estimated to be minimal.

Assumptions:

- Legal insurance or pre-paid legal services is a type of insurance in which specific legal services are provided or paid for by a beneficiary or third party, in that all expenses are spread across the insured group. This type of insurance is regulated by the Department of Commerce and Insurance, Insurance Division, Life and Health Unit.
- Legal insurance is often provided as a complement to an insurance package to indemnify an insured party for any legal costs that arise due to unforeseen events against the insured, in which case, the insurer may become liable.
- This legislation would effectively allow an insurer to pay the minimal administrative fee, or referral fee to an attorney for limited consultations at a nominal cost.
- The Department of Commerce and Insurance does not anticipate the proposed legislation to change the number of legal insurance companies registered or the amount of premium tax collected. Any implementation and enforcement effects are estimated to be not significant.
- If legal insurance protection is removed from policies that currently consist of legal indemnification, premiums may be lowered or claim payouts may decrease by shifting the burden of providing such legal services protection to the insured less any limited consultation provided by the insurer. To the extent that premium payments are decreased and subsequently, a decrease in premium tax revenue is experienced is unable to be determined, but is assumed to be minimal.

IMPACT TO COMMERCE:

Other Impact - Businesses may experience an increase in legal expenses due to a lack of legal compensation; however, to the extent know, such increase is assumed to be minimal.

Assumptions:

- In certain cases, this may decrease the amount of claim payouts by insurers if insurers shift the burden of legal indemnification from themselves to the insured by removing legal insurance policies and instead, providing limited consultations by paying a minimal administrative fee, which by the proposed definition is not legal insurance.
- Businesses may enter into insurance policies which provide limited consultations, as paid for by the insurer, instead of full legal insurance, which subsequently may result in an increase in business expenditures; however, any such increase is estimated to be minimal.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding", written in a cursive style.

Jeffrey L. Spalding, Executive Director

/jdb